

SUSTAINABILITY & ETHICS COMMITTEE (SEC) TERMS OF REFERENCE

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1. INTRODUCTION

King V states that the role of a Social & Ethics Committee is that of oversight, monitoring and reporting on organizational ethics, responsible corporate citizenship, sustainable development, and stakeholder relationships. A Social & Ethics Committee should be seen to be progressing beyond mere compliance to contribute to the creation of value.

The DBSA has established a Sustainability & Ethics Committee (SEC or the Committee) is a statutory committee constituted in terms of Section 10 of the DBSA Act, No. 13 of 1997 and of Section 72(4) of the Companies Act 71 of 2008, read with Regulation 43 of the Companies Regulations, 2011. It is also a board committee constituted by the Board in accordance with the King V Code, and any other applicable law or regulatory provision.

The purpose of the SEC is to assist the Board in providing oversight on matters related to the DBSA's strategies concerning sustainable development, low emissions, and climate-resilient development, just transitions as well as ethical and governance matters. These strategies may draw on frameworks around sustainable finance, and environmental, social and governance (ESG) guidance from regulatory, legislative, industry standards, similar processes appropriate for development finance institutions and best practices for corporates.

The mandate of the SEC is:

- a) to monitor the Bank's activities, from an ethical perspective, having regard to any relevant legislation, other legal requirements, or prevailing codes of best practice, with regard to:
 - (i) social and economic development
 - (ii) good corporate citizenship
 - (iii) the environment, health, and public safety
 - (iv) human rights and just transition
 - (v) consumer relationships
 - (vi) labour and employment
- b) overseeing the integration of sustainability and ethical behavior, including related governance matters into the Company's investment, risk and reporting frameworks, and broader strategic processes.
- c) to draw matters within its mandate to the attention of the Board as occasion requires; and
- d) to report to the Shareholder at the Bank's Annual General Meeting on the matters within its mandate.

The SEC is accountable to both the Board and the Shareholder in terms of its statutory duties. On all non-statutory responsibilities delegated to it by the Board, the Committee makes recommendations for approval by the Board.

The Committee does not assume the functions of management, which remains the role of executive directors, officers, and other members of senior management.

2. PURPOSE OF TERMS OF REFERENCE

These Terms of Reference (TOR) set out the statutory and non-statutory roles and responsibilities of the SEC and detail the manner in which the Committee will operate.

3. AUTHORITY

The Committee acts in terms of Section 72(8) of the Companies Act and the delegated authority of the Board as defined and recorded in these terms of reference.

The Committee has oversight of and reporting on organisational ethics, responsible corporate citizenship, sustainable development, and stakeholder relationships.

The Committee acts in accordance with the delegated authority of the Board. In carrying out its mandate, the SEC is authorised to have full, free, and unrestricted access to all the relevant DBSA's activities, records, facilities, property, information, and staff to execute its mandate subject to Board approved processes. The Committee, in the fulfilment of its duties, may call upon the Chairman of the other Board committees, the executive directors, Bank officers, and company secretary or assurance providers to provide it with information subject to Board-approved processes.

Pursuant to the provisions of Section 10 of the DBSA Act, as read with the regulations issued in terms of the Act, the Board authorises the SEC within the scope of its responsibilities to investigate matters within its powers.

The Committee has the right to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and at the cost of the DBSA. Any such appointments should be made subject to the Board-approved procedures.

The Committee, in the fulfilment of its duties, may call upon the Chairman of the other Board committees, any of the executive directors, Bank officers or assurance providers to provide it with relevant information subject to a Board-approved process.

The Committee is entitled to reasonable access to the Bank's records, facilities and employees as is necessary to discharge its duties and responsibilities.

The Committee may form, and delegate authority to, sub-committees, one or more designated members of the Committee and to one or more members of the executive to perform certain tasks on its behalf.

The Committee has the right to obtain independent external professional advice to assist with the execution of its duties, at the Bank's cost, subject to a Board-approved process.

The Committee has the right to be heard at any annual general shareholder's meeting on any part of the business of the meeting that concerns the Committee's statutory responsibilities.

4. COMPOSITION AND APPOINTMENT OF THE COMMITTEE

4.1 Members

The SEC should comprise a minimum of three (3) members, a majority of which shall be independent non-executive members of the Board. The CEO shall be a member of the Committee.

The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following: Environmental, Ethics, Sustainable Development and Social Studies, Transformation, Stakeholder Management and Labour and Employment Practices.

Suitably qualified persons may be co-opted onto the Committee to render such specialist services as may be necessary to assist the Committee in its deliberations on any particular matter.

The approval of such co-opted members shall vest with the Board. Co-opted members shall be appointed for an agreed period, not over three years, which may be renewed for another term at the discretion of the Board. Such persons shall have no voting rights. Remuneration for these members will be as determined by the NOMCO and approved by the Shareholder from time to time.

The Board may also co-opt its members onto the Committee to assist the Committee in its deliberations on any particular matter. In such instances, such members shall have voting rights.

The duration of appointments of Committee members shall be for a period of up to three years subject to annual review. The composition of the Committee will be reviewed annually to ensure that an appropriate combination of knowledge, expert skills and experience is maintained. The members of the Committee must be appointed/re-appointed by the Shareholder for the ensuing year at the Annual General Meeting.

4.2 Chairman

The Board will appoint the Chairman of the SEC who shall preferably be an independent non-executive member of the DBSA Board.

4.3 Attendance

The following functions: Ethics, Corporate Social Investment, Stakeholder Relations, Sustainability, Marketing, Transformation, Occupational Health & Safety, Human Capital, Risk, Finance, Internal Audit and Legal, represented by the Group Executive and Specialist in that area, will have a standing invitation to attend meetings of the Committee unless otherwise determined by the Chairman of the Committee and they may not vote.

4.4 Secretary

The DBSA Corporate Secretary shall serve as the secretary to the SEC and records of the deliberations of the Committee shall be maintained in accordance with the requirements of the DBSA Act.

5. ROLE

The role of the Committee is to assist the Board with the governance of social, sustainability and ethical matters relating to the Bank, as described in the committee's statutory and non-statutory responsibilities below.

6. RESPONSIBILITIES

6.1 The Committee performs all the functions that are necessary to fulfil its role as stated above and including the following **statutory duties**:

6.1.1 Monitoring the Banks's activities, having regard to any relevant legislation, other legal requirements, or prevailing codes of best practice, regarding matters relating to:

- i. Social and economic development, including the Banks's standing in terms of the goals and purposes of:
 - The 10 principles set out in the United Nations Global Compact Principles;
 - The OECD recommendations regarding corruption;
 - The Employment Equity Act; and
 - The Broad-Based Black Economic Empowerment Act;
 - The Paris Climate Agreement; and
 - Other guidance as may be deemed relevant.
- ii. Good corporate citizenship, including the Bank's:
 - Promotion of equality including gender equality, prevention of unfair discrimination, and reduction of fraud and corruption;
 - Contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - Record of sponsorship, donations and charitable giving.
- iii. The SEC should oversee and monitor, on an ongoing basis, how the consequences of the DBSA's activities and outputs affect its status as a responsible corporate citizen. This oversight and monitoring should be performed against measures and targets agreed with management in all the following areas:
 - Workplace (including employment equity: fair remuneration and the safety, health, dignity, and development of employees).
 - Economy (including economic transformation, prevention, detection and response to fraud and corruption, and responsible and transparent tax policy).
 - Society (including public health and safety; consumer protection; community development; and protection of human rights).
 - Environment (including responsibilities in respect of pollution and waste disposal; and protection of biodiversity).
- iv. Consumer relationships, including the Bank's advertising, public relations and compliance with consumer protection laws; and
- v. Labour and employment, including
 - Fair and ethical remuneration;
 - Making ethics a criterion in determining remuneration;
 - The Bank's standing in terms of the International Labour Organisation's (ILO) guidance on decent work and working conditions;
 - The Bank's employment relationships (employee safety and health, employee relations, including monitoring of consistency on conduct-related matters;

- Its contribution towards the educational development of its employees;
- Culture and values.

6.2 In addition, the Committee performs the following non-statutory responsibilities, delegated by the Board:

6.2.1 Ensuring that the ethics of the organization is managed in a way that supports the establishment of an ethical culture, including:

- Ethical leadership;
- Setting a strategy for managing ethics that is informed by the negative and positive ethics risks the Bank faces;
- Articulating ethical standards in a code of ethics and supporting policies;
- Ensuring that structures, systems and processes are in place to familiarize the board and employees with the organization's ethics standards;
- Monitoring adherence to the organization's ethics standards by all contracted stakeholders;
- Making ethics a criterion in the selection, promotion and performance management of staff and suppliers;
- Providing mechanisms for safe reporting of unethical behaviour;
- Responding to breaches of ethical standards in a manner that will prevent re-occurrence;
- Including ethics management and performance in the scope of internal audit;
- Reporting on the organization's ethics performance in the organization's integrated annual report; and
- Evaluating the extent to which ethics has become part of the corporate culture.

6.2.2 Stakeholder relationships management.

6.2.2.1 Providing oversight and guidance on the Bank's stakeholder relationships management, including:

- Oversee the setting of the Bank's universe of stakeholders and the strategic management thereof, including the Shareholder, clients and broader groups tracking the development contribution of the Bank;
- Ensure the Bank's adopts a transparent and inclusive approach to regular engaging stakeholders, including public, private and community groups;
- Ensure the Bank implements commensurate measures to prevent and address all forms of human rights undermining, including violations, across its operations and value chain;
- Review and recommend to the Board the appropriate frameworks for ensuring informed and proper consent of stakeholders, in terms of the Bank's approach to sustainability and ethics;
- Oversee the implementation and monitoring the adequacy and frequency of stakeholder engagement and ensuring the fair treatment of stakeholders.

6.2.3 Sustainability Responsibility

6.2.3.1 Providing strategic inputs to the Bank's approach to sustainability including just transition, climate change and nature-based strategies, including:

- Oversee the setting of principles, strategies, policies and frameworks to guide the Bank in integrating these considerations into its development and finance mandate, risk management, reporting and investment activities;

- Ensure that environmental, social and governance risks are effectively managed and integrated into the Bank's investment, risk, and reporting functions, including climate risk management of current and future investment and development portfolios;
- Oversee the development, implementation and management of the strategies, policies and frameworks to support the sustainability and ethical ambitions and objectives of the Bank;
- Oversee and review statutory and voluntary commitments and requirements that the Bank makes in relation to external parties, including national and international processes related to sustainability and climate change;
- Review and recommend to the Board the appropriate frameworks in relation to sustainability and ethics management within the Bank and their integration into investment, risk and reporting activities;
- As needed, engage on the sustainability and ethical aspects of high risks (as identified by IC and BCIC) escalated for engagement to the SEC at early review stage, or as such risks emerge;
- Monitor situations where high risk around sustainability, ethics and governance concerns are identified throughout the Bank's portfolio; and
- Review and recommend the disclosure of sustainability issues in the integrated report in terms of double materiality approach, financial impact and economic, society and environment impact.

6.2.4 Provide strategic and policy advice to the Board on all matters within the committee's statutory and non-statutory responsibilities.

6.2.5 Oversight of Declarations of Interests and confidential information.

7. QUORUM FOR MEETINGS

The quorum for meetings shall be two-thirds of the Committee members of the SEC. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

8. MEETINGS

8.1 Frequency and Attendance

8.1.1. The Committee shall meet at least four times per annum.

8.1.2. Special meetings of the SEC may be convened as and when required. Special meetings shall be arranged by consultation between the Chairman and the Company Secretary.

8.1.3. A schedule of meetings approved by the Committee will be issued to all members of the Committee at the beginning of each financial year. The Company Secretary shall in consultation with the Chairman of the Committee develop an annual plan highlighting the theme and objectives of each meeting in accordance with the mandate of the Committee.

8.1.4 Attendance to meetings shall be in person or via teleconference or video conference or any other acceptable form of digital presence. Except under exceptional circumstances/emergencies, members who are unable to attend shall advise the Bank

Company Secretary, at least 48 hours prior to the meeting, in writing, of their inability to attend such meeting.

8.2 Meeting Procedure

- 8.2.1 The SEC discussions shall be open and constructive. The Chair shall seek consensus in the Committee and may, where necessary, call for a vote. In the event of a matter being called for a vote, the voting threshold shall be a two-thirds majority. In the event of an unresolved deadlock in the vote, the matter will be presented to the Board for a decision. Discussions and records shall remain confidential unless a specific directive is received from the SEC to the contrary.
- 8.2.2 Except under exceptional circumstances, at least 5 working days' notice shall be given of a meeting of the SEC. Such notices shall, where possible, include the agenda and any supporting papers.
- 8.2.3 Each SEC member is responsible for being satisfied that, objectively, he/she has been furnished with all the relevant information and facts before making a decision.
- 8.2.4 Minutes of meetings shall be recorded by the Corporate Secretary and shall be circulated to all SEC members within five working days of the relevant board meeting for review.
- 8.2.5 Minutes of all SEC meetings shall record the proceedings and decisions taken, the details of which shall remain confidential.
- 8.2.6 A record shall be kept of the attendance of directors at SEC meetings.

9 ROUND ROBIN DECISIONS

The Chairman may request that certain issues be considered by way of round-robin.

In order to provide members of the SEC with an opportunity to sufficiently interrogate a particular issue in line with good corporate governance tenets, round-robin decisions shall be by way of exception and upon sufficient motivation to the Chairman of the SEC. The Chairman of the SEC must give approval for all round-robin requests. All such decisions shall require approval/support from a majority of the SEC members provided that each member has received notice of the matter to be decided. Decisions should serve at the subsequent meeting for noting and be recorded as such.

10. REPORTING TO THE BOARD OF DIRECTORS & THE SHAREHOLDER

The Chairman of the Committee shall keep the Board informed on all matters regarded as significant by providing a report back to the Board of Directors at the board meeting following the Committee meeting. Draft minutes of the Committee meetings and the resolutions thereof shall serve at the subsequent meeting of the Board of Directors for notification.

The Chairman should report annually to the Shareholder, summarising the activities, of the Committee during the previous financial year.

11. EVALUATION OF THE EFFECTIVENESS OF THE SUSTAINABILITY & ETHICS COMMITTEE

- 11.1. The effectiveness evaluation of the Board Committees is the responsibility of the Board of Directors and will be conducted after every two years.

12. GENERAL

The Committee shall on an annual basis review the provisions of the SEC's TOR herein to align with the legal and business environment, mandate of the Bank and overall responsibilities of the Board as dictated from time to time by the Shareholder.

These Terms of Reference of the SEC as set out above were approved by the Board of Directors on: